

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 FRB-02 TRSE-00 XMB-07 CIAE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

DRC-01 /081 W

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R 291455Z NOV 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3653

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ZURICH

LIMITED OFFICIAL USE LUXEMBOURG 0809

E.O. 11652: N/A

TAGS: EFIN, LU

SUBJECT: FAILURE OF NATIONAL BANK OF SAN DIEGO

REF: STATE 226356; LUXEMBOURG 781

1. ON NOVEMBER 27 ALBERT DONDELINGER, LUXEMBOURG BANK COMMISSIONER, INFORMED US THAT HE MAY TAKE ACTION RESTRICTING ABILITY OF U.S. BANKS IN LUXEMBOURG TO OBTAIN INTERBANK LOANS. DONDELINGER HAS NOT DECIDED WHAT FORM THIS RESTRICTION, IF INSTITUTED, MIGHT TAKE. HE SUGGESTED THAT IT COULD TAKE THE FORM OF A NOTIFICATION TO BANKS THAT INTERBANK LOANS TO U.S. BANKS WOULD BE TREATED DIFFERENTLY IN THE CALCULATION OF CAPITAL/LIABILITY RATIOS OR IN LIQUIDATION PROCEEDINGS. (BANKS CURRENTLY MUST KEEP 30 PERCENT OF THEIR LIABILITIES IN INTERBANK LOANS AND MUST MAINTAIN A 3 PERCENT CAPITAL/LIABILITY RATIO.) DIFFERENT TREATMENT FOR INTERBANK LOANS TO U.S. BANKS COULD REDUCE THE FINANCIAL LEVERAGE AVAILABLE TO U.S. BANKS, DECREASE PROFITABILITY AND DISCOURAGE THE ESTABLISHMENT OF U.S. BANKS IN LUXEMBOURG.

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2. DONDELINGER ALSO SAID THAT HE WOULD SEEK GUARANTEES FROM THE LARGER AMERICAN BANKS HERE (BANK OF AMERICA, FIRST NATIONAL OF NEW YORK, CHASE MANHATTEN) FOR SMALLER U.S. BANKS SEEKING TO ESTABLISH OFFICES IN LUXEMBOURG. IN THE ABSENCE OF SUCH GUARANTEES, HE WOULD SCRUTINIZE THE STRUCTURE, THE PLANNED ACTIVITIES AND THE PERSONNEL OF U.S. BANKS SEEKING TO ESTABLISH OFFICES HERE MORE CLOSELY THAN HAS HERETOFORE BEEN THE CASE. THE LOCAL REPRESENTATIVE OF THE BANK OF AMERICA HAS INDICATED TO US THAT B OF A WOULD BE WILLING TO GIVE GUARANTEES FOR SOME SMALLER U.S. BANKS.

3. DONDELINGER CONFIRMED THAT CAPITAL REQUIREMENTS FOR NEW BANKS IN LUXEMBOURG HAVE BEEN INCREASED WITH A MINIMUM CAPITAL OF 250 MILLION BELGIAN FRANCS NOW REQUIRED. ALTHOUGH HIS CONCERN OVER THE FAILURE OF THE NATIONAL BANK OF SAN DIEGO MIGHT HAVE PRECIPITATED THIS NEW REQUIREMENT, OUR BANKING SOURCES INDICATE THAT DONDELINGER HAS BEEN CONSIDERING THIS MOVE FOR SOMETIME IN ORDER TO SLOW DOWN THE RAPID GROWTH OF NEW BANKS IN LUXEMBOURG.

4. DONDELINGER INTENDS TO WRITE DIRECTLY TO THE U.S. COMPTROLLER AND TO THE FDIC TO EXPRESS HIS DISMAY OVER THE TREATMENT OF FOREIGN CREDITORS IN THE NATIONAL BANK OF SAN DIEGO LIQUIDATION. HE ASSURED US THAT HE WILL NOT TAKE ANY RESTRICTIVE ACTIONS AGAINST U.S. BANKS BEFORE OBTAINING A RESPONSE FROM THESE LETTERS.

5. WE NOTE REUTERS DISPATCH DATED NOVEMBER 27 APPEARING IN PARIS HERALD-TRIBUNE NOVEMBER 28 INDICATES THAT CHAIRMAN OF FDIC TESTIFIED BEFORE HOUSE BANKING COMMITTEE THAT INTERBANK LETTERS OF CREDIT HELD BY FOREIGN BANKS WOULD BE PAID BY CROCKER BANK.

6. ACTION REQUESTED: WE WOULD APPRECIATE RECEIVING FROM THE DEPARTMENT ANY ADDITIONAL INFORMATION CONCERNING NATIONAL BANK OF SAN DIEGO FAILURE WHICH WE COULD TRANSMIT TO DONDELINGER AND WHICH MIGHT CAUSE HIM TO LIMIT ANY RESTRICTIONS ON THE OPERATIONS OF SMALLER LIMITED OFFICIAL USE

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U.S. BANKS IN LUXEMBOURG. FARKAS

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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